

## Budget Transparency

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### Tool summary

Budget Transparency (BT) is defined as the full disclosure of all relevant fiscal information in a timely and systematic manner. BT is a precondition for public participation in budget processes. The combination of BT and public participation in budget processes has the potential to combat corruption, foster public accountability of government agencies and contribute to judicious use of public funds ([OECD, 2002](#)).

### What is it?

A budget is a government's plan on the use public resources to meet the citizens' needs. Budget Transparency (BT) means that ordinary citizens and civil society organizations (CSOs) can access information about how public resources are allocated and used. BT enables citizens to assess whether government officials are good stewards of public funds.

BT is a fundamental precondition for accountability and public participation in governance processes. Lack of transparency and democratic control of budget processes creates opportunities for graft and corruption. A non-transparent budget can neither be properly analysed nor can its implementation be effectively monitored. Transparency allows citizens to provide inputs into the budget process and to assess whether a government executed the development plans in accordance with budgetary allocations.

Transparency and participation can jointly lead to better budgetary outcomes by reducing manipulations of budget, misappropriation of resources and fostering sensible, accountable and equitable resource allocations.

There has been a civil society movement, particularly in developed countries in the recent years to improve transparency in budget processes. A number of developing countries have also enacted legislations to enhance public access to budget information. These government efforts have been aided by a number of international transparency standards developed to provide benchmarks for government performance. [The International Monetary Fund's \(IMF\) Code of Good Practices on Fiscal Transparency](#), provides a set of guidelines to establish a sound and viable transparency framework for fiscal policy and has the following objectives:

- Clarity of roles and responsibilities in public finance;



- Public availability of information;
- Open budget preparation, execution and reporting; and
- Independent assurances of integrity such as for e.g. through external audit.

The IMF also publishes country reports on fiscal transparency known as “[Report on the Observance of Standards and Codes](#)” (ROSC) that measures a country’s performance against the IMF Code. The OECD’s “[Best Practice on Budget Transparency](#)” also sets standards for government performance.

Lack of access to relevant budget information is the first challenge often faced by CSOs seeking to analyse or influence budget processes. Therefore, efforts to gain access to financial information or campaigning for increased budget transparency are often a first step budget work initiated by CSOs.

### How is it done?

There are many different possible strategies, actions and tools for enhancing budget transparency. The following is a summary of some of the key steps typically involved in achieving budget transparency.

#### 1. *Assess the existing level of budget transparency*

The [International Budget Partnership](#) provides several basic methodologies for assessing budget transparency, including the [IBP/IDASA Scorecard](#) which covers five basic areas of transparency and participation in the budget system:

- A legal framework for transparency: The legal framework typically dictates the nature of the budget system to the extent that governments advance transparency only in an informal or rudimentary fashion. Such advances are more likely to prove transitory.
- Clarity of the roles and responsibilities of the national and provincial governments: Clarity of roles and responsibilities in the management of public finances is essential to the electorate's capacity to hold specific parts of government accountable for budget policy and decisions.
- Public availability of budget information: A fundamental requirement of fiscal transparency is that comprehensive, reliable, and useful budget information be made publicly available
- Independent checks and balances of budget execution and government data: Legislatures and civil society must have the opportunity to influence the budget and assess whether government executed what it planned. It is also important to establish checks and balances on the type and source of data used in the budget process
- Budget decision-making process: A key issue is whether the legislature and civil society are able to participate effectively in the budget process.

Effective participation in this context refers to the opportunities for the legislature and civil society to share their viewpoints with the decision-makers and mechanisms to ensure that these viewpoints are given due consideration.

## *2. Advocate/lobby for greater budget transparency*

Civil society groups can advocate for enactment of legislation that guarantees citizens access to information held by the state. In addition to improved access, advocacy campaigns should also focus on ensuring that the budget information is accurate, useful and timely (See Tool A.1 for more information).

## *3. Obtain, demystify and disseminate available budget information*

Where budget information is publicly available, CSOs can play an important role in making that information more easily accessible and comprehensible to the general public. Budget data and documents are often complex and difficult to decipher. Preparing brief summaries of key aspects of the budget in clear and simple terms and publicizing that information through for example radio programmes, community meetings or information booklets, can go a long way towards enhancing budget transparency.

## *4. Enhance the level of budget literacy among parliamentarians and the general public*

Budget transparency will only be useful if there is a broad base of informed citizens who can hold government accountable. However, raw data on its own does not necessarily create informed citizens. Understanding and analysing budgets can be complicated and, in many cases, citizens need to be educated on how to make sense of the information.

Building budget literacy has been recognised as a prerequisite for engaging citizens in the budget process. Citizens who understand budgeting processes are better able to propose and advocate for budget allocation that benefit their own communities and interests. Many NGOs now specialize in budget analysis and offer training for other civil society organizations. A list of key training organizations is provided towards the later part of this article.

Budget literacy is particularly important for Members of Parliament (MPs) who must be able to analyse the budget proposals, comment on them, and also monitor expenditures and evaluate the budget outcomes. They do not always necessarily have the skills to effectively assess and evaluate a budget.

## Benefits

Some of the important benefits of BT are:

- Legislature, media, civil society and the public at large will be better able to hold the executive accountable if they are empowered with information on how it allocates and uses public resources.
- Elected officials and civil servants may act more responsibly if their decisions and actions are open to public scrutiny. BT also makes enables the civil society to conduct independent budget analysis, and expenditure tracking and monitoring and thereby prevent mismanagement and corruption.
- More equitable public spending. BT can restrict the diversion of resources to special interests resulting in more equitable public funding.
- Enhances the quality of public debate and the ability of citizen/CSOs to contribute to policy-making and budgeting processes.
- Early identification of the weaknesses and strengths of budget policies can reduce risks and foster fiscal and macroeconomic stability.
- Increased transparency may increase trust in governments and public acceptance of inevitable trade-offs.
- BT can contribute to enhanced revenue collection from local sources as people would be more willing to pay owing to a better understanding of how and for what purposes their taxes would be used.
- BT facilitates a more stable and predictable environment for investment decisions. With a clearer understanding of government's policies and actions, international and local investors may be willing to invest more resources in a country.

## Challenges and lessons

Common challenges associated with transparency exercises are:

- BT Requires political will from public officials, who may have a vested interest in withholding information.
- Transparency exercises are often bound by legal and institutional frameworks.
- Given the overtly technical nature of the Information often makes it difficult to communicate to citizens whose budget literacy level is low
- Engaging citizens can be difficult as individuals may not initially see how the budget impacts at a personal level.
- BT can be a resource intensive exercise thus limiting its application by only those who can afford.
- Parliamentarians may not be always active enough in scrutinising budget-related information.

Some lessons learnt from international BT initiatives include:

- Maximizing the benefits of BT is contingent on active participation of Parliamentarians, CSOs, and citizens in decision-making processes.. Transparency and participation are mutually reinforcing. Both are needed for better budgetary outcomes.
- Though BT provides opportunities to monitor the government's financial management, unless non-governmental actors have the capacity and will to demand and use available information, public oversight would remain ineffective.
- It is usually necessary and important that efforts to enhance access to budget information be accompanied by efforts to improve budget literacy and create demand for information.

## Key informational resources

Constance, P. *Between a Rock and a Web Page*, IADB America

<http://www.iadb.org/idbamerica/index.cfm?thisid=3741&lanid=1> <http://www.iadb.org/idbamerica/index.cfm?thisid=3741&lanid=1>

☞ This brief article discusses how “e-government” and other initiatives are bringing increased public financial transparency to Latin America.

International Monetary Fund (2007). *Code of Good Practices on Fiscal Transparency*

<http://www.imf.org/external/np/fad/trans/code.htm>

☞ Available in seven languages, the Code outlines international principles and standards of fiscal transparency as laid out by the IMF.

International Monetary Fund: *Manual on Fiscal Transparency*

<http://www.imf.org/external/np/fad/trans/manual/index.htm>

☞ A guide that explains the IMF transparency standards in detail and discusses government approaches to meeting them.

International Monetary Fund: *Reports on the Observance on Standards and Codes (ROSC): Country Reports*

<http://www.imf.org/external/np/fad/trans/site.htm>

☞ ROSC contains summary country assessments prepared by the IMF on compliance with international standards of public fiscal transparency and accountability.

OECD (2000). *Best Practices for Budget Transparency*

[www.oecd.org/dataoecd/33/13/1905258.pdf](http://www.oecd.org/dataoecd/33/13/1905258.pdf)

☞ The OECD Best Practices compilation provides a list of the budget documents that central governments of countries should publish at each stage of the budget process. They also include a description of the information that should be contained in each document.

## Key organisational resources & websites

### *The Open Budget Initiative*

The Open Budget initiative of the International Budget Partnership is a global research and advocacy programme to promote public access to budget information and the adoption of accountable budget systems. It intends to provide citizens, legislators, and civil society advocates with the comprehensive and practical information they need to measure government's commitment to budget transparency and accountability.

### *Open Budget Index*

The Open Budget Index assigns a score to countries based on the information they make available to the public through the budget process. Information about key indicators of budget transparency as well as approximately 85 individual country assessments can be accessed at the [Open Budget Index](#) website.

### *Open Budget Tools*

This section provides links to resources related to budget transparency and accountability, intended to assist researchers and others interested in making recommendations to strengthen public access to budget information, public engagement in budget debates, and for other reforms to strengthen budget-related institutions, such as national audit office.

### *Freedom of Information.org*

*This portal provides a wealth of information about the state of freedom of information in different countries around the world including references to budget transparency.*

### *Transparency International*

Transparency International (TI) works to fight government corruption and promote transparency in government policy, budgets and international trade.

### *National Democratic Institute (NDI), Washington*

NDI is a non-profit, non-partisan, nongovernmental organization that has supported democratic institutions and practices in every region of the world for more than two decades.

### *IDASA- Institute for Democracy, South Africa*

IDASA's Economic Governance Programme aims to democratise economic decision-making processes and resource management through sustained citizen engagement, to achieve sustainable socio-economic justice in Africa.



## Key training resources

### *Canadian Parliamentary Centre*

It offers training and capacity-building to parliamentarians\_\_on budget transparency, budget processes and other key issues.

### *International Budget Partnership, South Africa*

International Budget Partnership conducts training and capacity building courses and programmes for civil society organizations on various aspects of budget transparency analysis, expenditure tracking and so on.

### *CIDE, Mexico*

CIDE is a Mexican think tank that provides comprehensive budget training for members of the Congress, legislative staff, journalists specialising in budget coverage and NGOs.

## Case studies

### *Transparency in the Americas*

In the year 2004-05, the Center for Civil Society designed and coordinated the regional grant program “Transparency in the Americas.” The program, which was made possible with funding from the U.S. Agency for International Development (USAID), provided financial and technical resources to ten IADN (Inter American Democracy Network) member CSOs and their myriad collaborating organizations in nine countries in Latin America and the Caribbean. These organizations, in turn, worked to decrease corruption in public sector budgeting and increase government efficiency and responsiveness of the government to the needs of the citizenry at the local level. They did so by working to improve transparency at all stages of the planning and execution of public sector budgets.

For more information, refer the report, *Involving Citizens in Public Budgets-Mechanisms for Transparent and Participatory Budgeting*, published by the Center for Civil Society - Partners of the Americas and available at

<http://www.partners.net/Images/partners/English.pdf>

### *Opening Budgets in Mexico Helps Open Care Options for New Mothers*

While the Mexican government has long voiced its commitment to improving healthcare and decreasing maternal mortality, the death rate hovered at approximately 6.2 women’s deaths per 10,000 live births for more than a decade (from 1990 to 2003). Poor women in rural areas were disproportionately affected. In the late 1990s, a series of reports revealing the existence of secret presidential slush funds galvanized civil society groups in Mexico to push for increased public access to information, including increased access to information on the Mexican government’s budget. By 2002, a law guaranteeing citizen’s rights to information

had been passed and a highly-respected commission to oversee its implementation established.

For more information, refer to IBP website link "[How Does Budget Transparency Affect People's Lives](#)" which also contains information on four other case studies of how budget transparency has affected peoples' lives in India, Kenya, Argentina and Uganda.

<http://www.openbudgetindex.org/index.cfm?fa=affectingLives>

#### *The Budget Information Programme (BIP) in Kenya*

The Budget Information Programme (BIP) of Kenya's Institute of Economic Affairs supports Parliament in its role by presenting the parliament with an analysis and understanding of the budgetary process and proposals. Since the Parliament has only seven days to debate and approve the budget, BIP brings together a team of experts in advance to discuss the budget and develop a guide for MPs to assist them in the debate.

For more information, visit:

<http://www.ieakenya.or.ke/subsection.asp?l>

<http://www.ieakenya.or.ke/subsection.asp?ID=6 D=6>

#### **Additional case study resources**

Folscher, A., Krafchik, W and Shapiro, I. *Transparency and Participation in the Budget Process: South Africa A Country Report* IDASA/International Budget Partnership (2000)

This paper examines the importance of fiscal transparency and participation of legislatures and civil society in government decision-making within the South African context.

<http://www.internationalbudget.org/resources/library/transparencyfinal.pdf>

Transparency International (2002). *Building Transparency in Budgeting and Public Procurement at the Local Level in Serbia*, in Corruption Fighters' Tool Kit pp. II 20- II 25

This programme, undertaken by Transparency International Serbia, aimed to introduce reforms for more transparent and accountable budgeting practices in three Serbian municipalities.

[http://www.transparency.org/tools/e\\_toolkit/corruption\\_fighters\\_tool\\_kit\\_2002](http://www.transparency.org/tools/e_toolkit/corruption_fighters_tool_kit_2002)

Classens, M. *Budget Transparency and Participation 2: Nine African Case Studies -Botswana, Burkina Faso, Ghana, Kenya, Namibia, Nigeria, South Africa, Uganda and Zambia*. IDASA (2006)

This publication assesses budget transparency and citizen participation in budget processes in nine African countries. Among other issues, it assesses legal

frameworks for transparency; public availability of budget information, and systems to enforce transparency.

[http://www.idasa.org.za/index.asp?page=output\\_details.asp%3FRID%3D890%26OTID%3D6%26PID%3D18](http://www.idasa.org.za/index.asp?page=output_details.asp%3FRID%3D890%26OTID%3D6%26PID%3D18)

